

## Message Text

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 9577

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EO 11652: N/A

TAGS: BENC, KS

SUBJ: MAJOR PROJECTS: KOREA CHEMICAL PULP CO. MILL AND  
EPB-KECO MISSION

REF: (A) STATE 228438, (B) SEOUL 7431, (C) USDOC 16069, (D)  
SEOUL 5091

DEPARTMENT PASS EXIMBANK PRIORITY

1. EMBOFF ACCOMPANIED WILLIAM M. HERAN, VP AND  
MANAGING DIRECTOR, YUHAN-KIMBERLY LTD. AND STEPHEN H.  
STULL, ASST. VP, CITIBANK, SEOUL BRANCH, IN A CALL ON  
TCHAH HWA JUNE, DIRECTOR, BUREAU OF ECON COOPERATION,  
ECONOMIC PLANNING BOARD (EPB). US VISITORS PRESENTED  
DESCRIPTION OF SITUATION AS VIEWED BY KIMTECH AND HERAN  
REPORTED THAT US EXIMBANK OFFICIAL HAD ORALLY INFORMED  
KIMTECH THAT IF FIRM COULD ENCOURAGE EPB TO GIVE THE  
KOREA CHEMICAL PULP CO. (KCPC) PROJECT A PLACE ON ITS  
PRIORITY LIST, EXIMBANK WOULD CONSIDER SUPPORTING IT.

2. TCHAH REPLIED THAT HE WOULD TALK TO THE DEPUTY PRIME  
MINISTER NAM DUCK-WOO (MC/R:NAM TOK-U) ABOUT THE KCPC  
PROJECT. HOWEVER, HE OBSERVED THAT EXIMBANK'S RECENT  
DECISION NOT RPT NOT TO SUPPORT THE P.T.A. PLANT BECAUSE  
PRIVATE FINANCING BY CITIBANK WAS AVAILABLE HAD BEEN  
TAKEN BY NAM AS A SIGN THAT NO FURTHER PROJECTS OTHER  
THAN IN THE ELECTRIC POWER GENERATION FIELD SHOULD BE  
GIVEN EPB PRIORITIES. NAM HAS APPARENTLY TURNED DOWN A  
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STRONG RECOMMENDATION THAT HE SEEK US EXIMBANK SUPPORT

FOR FOSTER-WHEELER'S SUCCESSFUL BID ON THE SSANG YONG OIL REFINERY PROJECT (REPORTED REF D), AND TCHAH EXPRESSED BELIEF THAT EPB WOULD NOT RPT NOT ASK FOR EXIMBANK SUPPORT FOR KCPC. TCHAH ADVISED HERAN FIRST TO PURSUE EXIMBANK BACKING THEN CITIBANK BACKING ON COMMERCIAL TERMS. HE STATED THAT SO LONG AS KCPC MADE ITS CHOICE ON SOLID ECONOMIC GROUNDS EPB WOULD APPROVE IT.

3. MR. STULL EXPRESSED BELIEF THAT CITIBANK FINANCING WOULD ACCORD WITH ROKG FINANCIAL GUIDELINES. MR. HERAN EXPRESSED SATISFACTION THAT EPB WOULD HANDLE THE MATTER IN THE WAY INDICATED BY MR. TCHAH.

4. EMBOFF SUBSEQUENTLY CONTACTED MR. S.Y. HAN, DIRECTOR, KCPC TO INFORM HIM OF THE USG INTEREST (REF A AND C), AS WELL AS TO PASS ON TCHAH'S REMARKS ON HOW EPB WOULD EVALUATE THE PROPOSAL. HAN REPLIED THAT KCPC IS STUDYING THE EIGHT PROPOSALS IT HAS RECEIVED, AMONG WHICH SEVERAL HAD INCLUDED EITHER COMMITMENTS OR EVIDENCE OF COMMITMENT TO TERMS AND CONDITIONS COMPETITIVE WITH THOSE OF EXIMBANK. HAN STATED THAT CITIBANK'S TERMS WERE NOT RPT NOT COMPETITIVE WITH THOSE OFFERED BY OTHER FOREIGN BIDDERS WITH SUPPORT OF THEIR EXIMBANKS AND UNLESS KCPC RECEIVED A COMPETITIVE FINANCING PACKAGE, IT WILL BE DIFFICULT TO SELECT KIMTECH'S BID. HE OBSERVED THAT AS THINGS STAND KIMTECH'S PROPOSAL WOULD NOT RPT NOT BE ECONOMICAL AND FURTHER SIGNIFICANT DELAY WOULD BE A WASTE OF TIME. EMBOFF STATED THAT HE WOULD CABLE MR. HAN'S FRANK REMARKS TO WASHINGTON IN THE HOPE THAT KIMTECH MIGHT BE ABLE TO IMPROVE ITS FINANCIAL TERMS AND CONDITIONS BEFORE KCPC FEELS COMPELLED TO MAKE ITS DECISION.

5. EMBASSY COMMENT: TCHAH'S TERMS OF REFERENCE AND TONE SUGGESTED THAT EPB MISUNDERSTOOD EXIMBANK'S DECISION ON THE P.T.A. PLANT AND IS UNWILLING TO MAKE ANY FURTHER RECOMMENDATIONS ON PROJECTS TO EXIMBANK. TCHAH NOTED THAT THE EPB-KECO MISSION WILL DEPART FOR THE US ON TUESDAY, SEPTEMBER 21, 1976. HE SAID IT WILL BE LED BY ASSISTANT MINISTER OF COMMERCE AND INDUSTRY LEE MOON HONG, AND WILL INCLUDE CHIEF OF THE SECOND INVESTMENT DIVISION LIMITED OFFICIAL USE

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OF EPB, PARK, CHUNG-HEE AND EXECUTIVE VICE PRESIDENT SUNG NACK-CHUNG OF KOREA ELECTRIC COMPANY WITH STAFF AND TECHNICAL PERSONNEL.  
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